

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1046 - HB 1925

March 25, 2011

SUMMARY OF BILL: Adds bonds and other obligations that have variable interest rates or interest rates that increase at regular intervals to the list of eligible collateral for public depository purposes. Authorizes the Treasurer, with the approval of the Commissioners of Finance and Administration and Financial Institutions, to discount the bonds up to 20 percent to account for uncertainty in the ability to provide a current market value for the bonds.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$71,000

Assumptions:

- According to the Treasury Department, current state law requires financial institutions that hold the deposits to pledge collateral on the amount of the deposits that are over and above the FDIC insurance limits. Variable bonds and obligations as eligible collateral bring additional risk due to the degree of variability; these instruments have not been accepted in the past by the Department due to the difficulty of pricing such investments.
- An additional Fixed Income Analyst position will be required in the Treasury Department. An increase in recurring state expenditures of \$71,000 (\$36,233 salary + \$13,767 benefits + \$21,000 licensing and other).
- According to the Treasury Department, local governments may experience an increase in the level of risk due to a lack of authority to discount the value of bonds.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White".

James W. White, Executive Director

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